

MANAGEMENT DISCUSSION AND ANALYSIS

Your Directors are pleased to present the Management Discussion and Analysis Report for the year ended 31st March, 2019. Investors are cautioned that these discussions contain certain forward looking statements that involve risk and uncertainties including those risks which are inherent in the Company's growth and strategy. The company undertakes no obligation to publicly update or revise any of the opinions or forward looking statements expressed in this report consequent to new information or developments, events or otherwise.

MACRO ECONOMY: REVIEW AND OUTLOOK

The fiscal year of 2019 marked the completion of NDA government's 5 year term, with the nation-wide election results favouring majority for NDA government. The government's thrust was more on digital initiatives and financial inclusion on the forefront. However, India's speedy journey in terms of political and economic reforms faced national as well as international road-blocks in FY2019. Global trade war concerns between US and China made the global markets volatile. Any agreement on the same will be a welcome move, going ahead. At the domestic level, rupee faced volatility due to tightening of US rates and hovering crude oil prices. This was followed by the default of IL&FS in September, 2018 which had a ripple effect on NBFCs and mid-caps, contributing to liquidity issues. However, as BoP situation improved and rupee stabilized towards end of 2018, RBI began to inject liquidity into the banking system. In addition, Fed's unexpectedly dovish tilt in January, 2019, also supported flows to Emerging Markets. As a result, India received nearly US\$7 Billion of FII equity flows in Q4FY19.

Structurally, India's future outlook remains optimistic with various fundamentals in favour. Firstly, in the coming years India is poised to gradually become the world's youngest workforce after overtaking China. This combined with an increase in productivity will hugely benefit the economy. Although, IMF has softened the growth rate to 7.3% for FY20 from 7.5% citing weaker global outlook, it continues to maintain the fastest growing status for India.

However, these interim market dislocations impacted India's growth momentum. Exports slowed down in a broad based manner, while liquidity tightening and NBFC's risk aversion impacted pockets of leveraged consumption such as cars, Two wheelers and commercial vehicles. However, there are segments in the economy which are holding up quite well.

On the monetary policy front, RBI has cut rates thrice 2019 so far, reversing the rate hikes of 2018. However, one area where more progress is needed is the transmission of the monetary policy, which is hampered by elevated Credit Deposit ratio in banking system. If the CD ratio starts to normalize, it will facilitate the transmission of policy rate cuts.

On the fiscal front, central government revenues are running slower than projected growth rates both on direct as well as indirect taxes front, although disinvestment receipts have marginally exceeded the budget estimates. In view of this, central government started to slow down the expenditure growth in H2FY19. Overall Central Government fiscal deficit was maintained at 3.4% of GDP. However, government spending is expected to increase in FY 20 as tax revenues pick up due to elimination of operational hiccups in GST and widening tax base.

COMPANY OVERVIEW:

Monarch Network Capital Limited is a leading player in the Indian financial services space. Monarch Network Group offers Financing, Wealth Management, Equity, Commodity And Currency Broking, Financial Product distribution, Research and Analyst Services, Portfolio Management Services, acting as Point of Presence under National Pension System, Merchant Banking Services, NBFC Services, IFSC through its various subsidiaries. Based on the buoyancy of the Indian Economy, the overall scenario and steps taken by the management, the future outlook of your Company looks good.

Key highlights of the Segment wise financial performance is summarized below:

(INR. in Lakhs)

Particulars	Standalone Year ended		Consolidated Year ended	
	31st March, 2019	31st March, 2018	31st March, 2019	31st March, 2018
1) Broking	5962.13	7799.97	5961.64	7781.53
2) Wealth Management	71.03	77.72	71.03	77.72
3) Non Banking financial business	-	-	583.98	832.86
4) Merchant Banking Income	220.29	87.80	220.29	87.80
5) Insurance Business	-	-	94.81	38.47
6) Other (Un-allocated)	831.16	590.57	690.51	622.16

MONARCH NETWORK CAPITAL LIMITED

SUBSIDIARY COMPANIES:

As on 31st March, 2019, the Companies had following subsidiaries:

1. Monarch Network Finserve Private Limited
2. Monarch Network Investment Advisors Pvt. Ltd.
3. Monarch Network Capital IFSC Private Limited (incorporated on 14th March, 2017)

OPPORTUNITIES AND THREATS

Opportunities

- Long-term economic outlook positive, will lead to opportunity for financial services
- Growing Financial Services industry's share of wallet for disposable income.
- Regulatory reforms would aid greater participation by all class of investors
- Leveraging technology to enable best practices and processes
- Corporates looking at consolidation/acquisitions/restructuring opens out opportunities for the corporate advisory business

Threats

- Execution risk
- Short term economic slowdown impacting investor sentiments and business activities
- Slowdown in global liquidity flows
- Increased intensity of competition from local and global players
- Market trends making other assets relatively attractive as investment avenues

RISK MANAGEMENT & INTERNAL CONTROL SYSTEM:

- As per the Provisions of Section 134(3) of the Companies Act, 2013 ('the Act') the Company as a part of the Board's Report needs to give a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company. Additionally, as per Listing Obligations and Disclosure Requirement Regulations, 2015 requires to lay down procedures about the risk assessment and risk minimization.
- The company is exposed to specific risks that are particular to its business and the environment within which it operates including economic cycle, market risks, competition risk, interest rate volatility, human resource risk and execution risk, etc. The Company mitigates these risks by enhancing its technological capabilities in Surveillance mechanism and by following prudent business and risk practices and adhering to standard policies and procedures adopted for risk management.
- Compliance Risk & Responsive strategies: The Company has a full-fledged compliance department manned by knowledgeable and well-experienced professionals in compliance, corporate, legal and audit functions. The department guides the businesses/support functions on all regulatory compliances and monitors implementation of extant regulations/circulars, ensuring all the regulatory compliances, governance and reporting of the Group.

The Company has put in place adequate systems and controls to ensure compliance with anti-money laundering standards. The Company has implemented business specific Compliance Manuals, limit monitoring systems and AML/ KYC policies and enhanced risk based supervision systems. The compliance requirements across various service points have been communicated comprehensively to all, through compliance manuals and circulars. In the broking business, MNCL has put in place robust surveillance & risk management systems.

- Human Resource Risk & Responsive strategies: Human Resource department has been constantly striving to align with business, implement digital solutions, and build a strong culture of transparency and service orientation within the organisation. The Group continued to put in place people friendly policies and practices in the past year and continues to focus on adopting best practices for its HR policies.
 - o The Group also has a strong focus on ensuring that employees are adequately trained in their job functions and on all compliance related trainings.
 - o The HR function also ensures all statutory compliances with labour laws and other relevant statutes and ensures that strong background screening standards are in place to minimize any risk of fraud from incoming employees

- Reputation Risk & Responsive strategies : Over the years, the Company has fostered a culture that enables operating managers to say 'No' to poor quality business and eschewing from adopting short cuts and stopgap alternatives. In addition, it has in place stringent employee code of conduct and trading guidelines, which are to be followed by every employee. The Company's policy and processes ensure close monitoring and strict disciplinary actions against those deviating from the same.

The organization pays special attention to issues that may create a Reputational risk. Events that can negatively impact the organization position are handled cautiously ensuring utmost compliance and in line with the values of the organization.

- Risk Culture & Responsive strategies: Risk management is integral to the Company's strategy. A strong risk culture is designed to help reinforce resilience by encouraging a holistic approach to the management of risk throughout the organization.

The Company has, over the years, invested in people, processes and technology to mitigate the risks posed by the external environment and by its borrowers. A strong risk management team and an effective credit operations structure ensures that risks are properly identified and addressed in a timely manner to ensure minimal impact on the Company's growth and performance. The Company has developed the necessary competency to identify early stress signals and has also defined processes, including corrective and remedial actions as regards people and processes, for mitigation to ensure minimum damage.

- The Board of Directors of the Company and Audit Committee shall periodically review the risk management policy of the Company so that management controls the risk through properly defined network. Being engaged in the business in a highly regulated industry; we are equipped with risk management measures in the very regulations itself. An extensive Internal Audit is carried out by independent firm of Chartered Accountants reporting to Audit Committee on regular basis. Company has a proper and adequate internal control system to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transaction are authorized, recorded and reported correctly which ensures-
- Compliance with all applicable laws, rules& regulations, listing requirements and management regulations,
- Proper recording and verification of all financial transactions
- Adherence to applicable accounting standards and policies.

The performance of capital market in India has a direct correlation with the prospect of economic growth and political stability. Though the growth projections for FY 2018-19 appear reassuring, there are certain downside risks such as pace and shape of global recovery, effect of withdrawal of fiscal stimulus and hardening of commodity prices. Our business performance may also be impacted by increased competition from local and global players operating in India, regulatory changes and attrition of employees. With growing presence of players offering advisory service coupled with provision of funds for the clients' needs, we would face competition of unequal proportion. We continuously tackle this situation by providing increasingly superior customized services.

In financial services business, effective risk management has become very crucial. Your Company is exposed to credit risk, liquidity risk and interest rate risks. Your company has in place suitable mechanisms to effectively reduce such risks. All these risks are continuously analyzed and reviewed at various levels of management through an effective management information system.

HUMAN RESOURCES/INDUSTRY RELATIONS:

Human capital is a key to the any service industry and company being into financial service industry it understands its value & follows healthy HR practices providing constant training and motivation to its staff.

- o The Company provides excellent working environments that the individual staff can reach his/her full potential.
- o The Company is poised to take on the challenges and march towards accomplishing its mission with success.
- o The Company maintained good Industrial/Business relation in market which enhanced the Creditworthiness of the Company.

The total staff strength of the Company and its subsidiaries as on 31st March, 2019 stood at 1010.

MONARCH NETWORTH CAPITAL LIMITED

DISCUSSION ON FINANCIAL/OPERATIONAL PERFORMANCE (STANDALONE BASIS) (ON THE BASIS OF IND-AS):

Particulars	2018-19	2017-18	2016-17
Total Revenue	625,346,218	733,453,858	540,993,720
EBIDTA	152,458,290	188,042,558	139,560,201
PBT	153,366,281	178,616,608	126,588,959
PAT	137,296,425	161,529,453	112,289,031
Total Comprehensive Income for the year	134,758,972	156,630,935	117,456,789
EPS	4.34	5.17	3.87

ENVIRONMENTAL ISSUES:

As the Company is not in the field of manufacturing, the matter relating to produce of any harmful gases and the liquid effluents are not applicable.

DETAILS OF SIGNIFICANT CHANGES (I.E. CHANGE OF 25% OR MORE AS COMPARED TO THE IMMEDIATELY PREVIOUS FINANCIAL YEAR) IN KEY FINANCIAL RATIOS, ALONG WITH DETAILED EXPLANATIONS THEREFOR:

	Standalone		
	FY-2018-19	FY-2017-18	Reason if changes done more then 25%
Debtors Turnover	0.65	0.51	-
Inventory Turnover	NA	NA	-
Interest Coverage Ratio	7.64	11.01	Due to reducton of EBIDTA for current financial year
Current Ratio	1.24	1.05	-
Debt Equity Ratio :	0.35	0.08	Since there is increase in debtors by 12 Crore and increase in short term loan placed as client margin in exchange, amount of debt Increase
Operating Profit Margin (%)	14.75%	20.73%	-
Net Profit Margin (%)	19.38%	20.08%	-

DETAILS OF ANY CHANGE IN RETURN ON NET WORTH AS COMPARED TO THE IMMEDIATELY PREVIOUS FINANCIAL YEAR ALONG WITH A DETAILED EXPLANATION THEREOF:

	Standalone	
	FY-2018-19	FY-2017-18
RETURN ON NET WORTH AS COMPARED TO THE IMMEDIATELY PREVIOUS FINANCIAL YEAR	16.25%	23.72%

Explanation : Due to market circumstances brokerage income reduce in current financial year as compared to the Immediately previous financial year

CAUTIONARY STATEMENT:

Statement in the Management Discussion and analysis describing the company's objectives exceptions or predications may be forward looking within the meaning of applicable securities, laws and regulations. Actual results may differ materially from those expressed in the statement. Several factors could make significant difference to the company's operation. These include climatic conditions and economic conditions affecting demand and supply, government regulations and taxation, natural calamities etc. over which the company does not have any control.

For Monarch Network Capital Limited

Vaibhav Shah
Chairman & Managing Director

Place: Mumbai

Date: 03rd September, 2019